

# California Board of Accountancy

## Self-Directed, Self-Assessed Continuing Education



Diane Rubin, CPA  
Past President

In recent years, the accounting profession has seen incredible transformation. In California, we are studying and considering the Uniform Accountancy Act (UAA). If implemented — in whole or in part — the UAA would bring many changes. State law now allows minority ownership of public accounting firms by nonlicensees. The Accountancy Act also permits a licensed accountant to accept commission-based compensation for defined services, as long as the fees are disclosed in writing, and various prohibited services are not performed.

While the Accountancy Act evolves to ensure consumer protection while incorporating changes in how public accounting is practiced, one key element in renewing the permit to practice has remained constant — continuing

professional education (CPE). Licensees who practice public accounting in California must complete 80 hours of acceptable continuing education (CE) in the 24-month period preceding the license expiration date. This requirement is clearly stated in the Accountancy Act. The Accountancy Regulations establish additional parameters, define which programs qualify, and specify mandatory criteria for the qualification of courses. In all instances, it is required that licensees engage in continuing education *which directly contributes to their competence as accountants*. This requirement is designed to be minimally burdensome upon licensees while providing protection to consumers.

In February 2000 the National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA) released an Exposure Draft of the Revised AICPA/NASBA Joint CPE Standards for review and comment. One of the key concepts the draft proposes is *self-directed learning activities*, where the learning activities are undertaken and accomplished without the assistance of outside sponsors.

In March 2000 the Board's Committee on Professional Conduct (CPC) examined the Exposure Draft and recommended that the Board send a letter to NASBA stating self-directed CE is not acceptable in a regulatory context. After studying the Exposure Draft, the Board adopted the CPC's recommendation and sent the letter to NASBA communicating that

(Please see *Self-Directed*, continued on page 2)

Update

## *Mission Statement*

***The mission of the California Board of Accountancy is to protect the public welfare by ensuring that only qualified persons are licensed and that appropriate standards of competency and practice are established and enforced.***

## *Vision Statement*

***It is the vision of the California Board of Accountancy to become the premier regulatory agency that operates with maximum efficiency, fosters continuous quality improvement, and provides exemplary consumer protection while recognizing the changing consumer demographics and nature of services provided by licensed professionals.***

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self-directed, self-assessed CE is unacceptable to California, it is unenforceable, it is inconsistent with California law, and it would actually result in the *de facto* elimination of all required CE. California has been just one of several states responding similarly to the Exposure Draft.

On June 16, 2000, as a representative of this Board at NASBA's Western Regional Conference in Rancho Mirage in California, I participated in a session titled, "CPE: Considering the Proposed Standards." A member of NASBA's Continuing Professional Education Advisory Committee presented "pro" arguments, while I, as a member of a regulatory board, presented arguments against the proposed standards.

As directed by the California Board, I communicated that adoption of these standards would have dire consequences. It would erode the credibility of the profession. It would do little to increase the competence of those CPAs who need it most. It would hold our profession up to public ridicule and lastly — and most importantly — it would be contrary to the interests of consumers.

Our Board believes there are three major flaws in the proposed self-directed CPE concept. First, some of the types of activities permitted (such as credit for staff or committee meetings and "leadership of professional organizations") cannot be qualitatively measured. Second, some are too "soft" in content (such as attending seminars that enhance personal attributes, volunteer work, on-the-job-training, mentoring or being mentored). Third, the self-assessment aspect of the program vitiates its effectiveness. While these activities and factors may benefit a person's employer or even one's practice or community, they do not in any manner appear to enhance consumer protection. These were arguments I stressed during my participation in the NASBA meeting session.

Self-assessment is more than simply troublesome. It means there is no monitoring, no testing, no oversight, no verification. Would we take the word of an airline pilot, for example, that he has mastered the controls of a new cockpit and is confident he can land the plane? No. We would want to be sure he took the proper courses from a certified instructor before we boarded.

*(Please see Self-Directed, continued on page 3)*

As a regulatory entity, it is the Board's responsibility to ensure that CE activities contribute to the competence of the public accountant. Self-direction and self-assessment are incompatible with that responsibility to the consumer. This Board believes the proposed Exposure Draft is too lax with respect to content. It would give credit for inappropriate activities which have at best only a tenuous relationship to accounting. The self-assessment component of the draft invites abuse and makes the entire program ineffective.

We all want to be better accountants. We all want the profession to maintain its credibility and high standing with the public. We all, I believe, have the public interest at heart. To accomplish these goals, we do need a program that will help us keep our skills sharp and inform us of new developments. Training that enhances a licensee's proficiency and effectiveness must continue to be the requirement. We must be able to discipline those licensees who do not comply with the mandated continuing education statutes. We will all be better for it. We will be able to land the plane. ❖

## Contributors to this Edition of Update

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### Policy of Nondiscrimination on the Basis of Disability and Equal Employment Opportunity

The California Board of Accountancy does not discriminate on the basis of disability in employment or in the admission and access to its programs and activities.

An Americans with Disabilities Act (ADA) coordinator has been designated to coordinate and carry out this agency's compliance with the nondiscrimination requirements of Title II of the ADA. Information concerning the provisions of the ADA, and the rights provided thereunder, is available from:

ADA Coordinator  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, California 95815-3832

## Issues of Interest *to the Consumer and the Practitioner*

# News to You

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### Fee Change

The biennial renewal fee and the initial permit fee have been restored to \$200. This change, effective July 1, 2000, is the result of the Board's successful fee reduction strategy which has brought the Accountancy Fund to its mandated level of three months of reserve expenditures. For more information about the fee changes, please see page 6 of this publication.

### License Look-up

Web site visitors can now check the status of a license on-line. Information is available for individual licenses, as well as partnerships and corporations. The "License Lookup" feature includes the licensee's name, address of record, the status of the license, and any recent disciplinary actions. The article, "What's New at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba)" on page 7 provides additional details about this new element of our Web site.

### Changes to Continuing Education Regulations

New continuing education (CE) regulations are now in effect, as of June 8, 2000. The revised regulations clarify what is acceptable CE and specify additional requirements that will become effective July 1, 2001. These regulations also explain new reporting and program measurement options. For more information, please see the article on page 9. The complete full text of these regulations is posted on the Board's Web site at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba).

### May 2000 CPA Examination

The Uniform CPA Examination was held on May 3 and 4 in Pleasanton, Pomona, and Sacramento. This reflects a change in the number of sites from four to three because of the elimination of the San Diego location. While 8,636 candidates were originally scheduled to

take the May 2000 examination, 6,645 candidates actually sat after an approximate 20 percent no show rate. California proctored 208 candidates from other states, and 108 California candidates were scheduled to take the examination in another state.

### Proposed Legislation to Combat Cheating

In addition to enhancing the security of the Uniform CPA Examination, the Board is also sponsoring amendments to the Accountancy Act to increase the Board's effectiveness in barring candidates who cheat from sitting for future exams. The amendments are part of Senate Bill 1863 by the Senate Business and Professions Committee. If this legislation is enacted, its provisions will become effective on January 1, 2001.

### UAA Proposal

In January 2000, the Board approved proposed revisions to the Accountancy Act and the Board's Regulations to implement the Uniform Accountancy Act (UAA) in the areas of exam, education, and experience.

These changes include the UAA exam passage standard, the 150-Hour Education Requirement, and a one-year general experience requirement. Attest experience will not be required.

The proposal provides for a three-year transition to the new requirements. More information about the UAA and this related proposal will be available in a future issue of *Update*.



# Pioneering Women

Stephen DeRose

*California Board of Accountancy Investigative CPA*

On November 29, 1999, I received a telephone call from Helen Ashley, CPA. Mrs. Ashley was helping her grandchildren with a project involving early women CPAs. Her grandkids wanted to find out if their grandmother was one of the first woman licensees in California. Mrs. Ashley was licensed in 1950.

I placed a call to Mrs. Ashley and she and I spoke for some time, and I came to understand a little more about the profession from her classic perspective. She told me about her first "paying client" shortly before she became a licensee. Mrs. Ashley prepared the payroll for a small concern in 1948 while she attended school at UCLA. The man was a minor entrepreneur literally working out of his garage. He later went on to invent and produce a product we know as the "Papermate Pen." To this day, she continues to provide services for this client, who is now 95 years old.

After speaking with Mrs. Ashley, I began my search. I went to our Assistant Executive Officer, Mary Crocker, asking if there was any way I could at least determine the names of the earliest licensees. She directed me to the safe. As we opened the safe's door, the musty smell of old paper permeated the room. Ms. Crocker pulled out two old ledger books titled *CPA Certificates Issued*, the first listing licenses 1 through 2943 and the second, licenses 2944 through 6693.

I took these ledgers back to my office for a closer look. The entries were beautifully written in a copperplate hand. The first several pages were apprehensively written in pencil. The author or authors. (I saw several different handwritings) became more confident in later pages and used ink. License number 1 was issued to Mr. A.G. Platt, in 1901, the Board's first licensee, the year of the Board's inception.

It turned out that Mrs. Ashley was not the first female licensee, but her initial question did lead me to some fascinating discoveries about the earliest women in our profession in California. In 1915, the Board's first woman CPA, Myrtle Cerf, was issued license number 110. My research discovered there were five licenses issued to women — prior to their obtaining the constitutional right to vote. How ironic that these women were licensed in such an important profession without possessing the basic

entitlement to choose their government representatives.

As I looked through the ledgers, I also searched the Board's computerized database in an effort to determine the last license renewal dates for these early women CPAs. The 16<sup>th</sup> person on my list was Elizabeth Burcham Crippen, born in March 1908, licensed in 1940, and she renewed her active license this year. Hers is an inspiring and enduring story.

I decided to contact Mrs. Crippen. I called the telephone number on the Board's data screen and reached an answering machine for Betty Crippen, CPA. I left a lengthy message, telling her I was researching early women accountants and would like to hear a little about her history in the profession. Mrs. Crippen sent me a letter on December 28, 1999, giving me some background about the early years of her practice.

Betty Crippen graduated from UCLA in 1929 with a major in Business Education.

She received all A's in her accounting coursework and therefore wanted to work in the profession, with the ambition of becoming a CPA. However, her accounting professor warned her that her hope of becoming a CPA was highly unrealistic in a male-dominated profession.

Undeterred, she embarked on a career as a teacher at the Glendale High School, teaching bookkeeping and attending a graduate program at USC, earning a Master's Degree in Economics. She also took accounting courses through a correspondence school to better prepare herself for the CPA exam. Mrs. Crippin passed the examination on her first attempt in 1935.

During all these career and academic endeavors, she maintained a side practice involving bookkeeping and tax clients. One of her largest clients at the time paid a profitable sum of \$50 per month for full-charge bookkeeping.

Mrs. Crippin reminded me that the convenience of technology we take for granted today was nonexistent in 1935. She used a

(Please see *Pioneering Women*, continued on page 6)



Elizabeth Crippen, CPA

manual typewriter to produce financial reports, statements, and tax returns, and she had a special typewriter with an extra-wide carriage to handle the state tax returns of the day. Adding machines were expensive, so she added her figures by hand. If the string of figures was long, she used the adding machine at Glendale High. And don't forget carbon paper to make copies as the original was being typed. For the big copy jobs, there was a mimeograph machine.

In 1945, Mrs. Crippin retired from teaching to devote more time to her practice and her young growing family (a daughter, Pam, and a son, Jerry). Later, while still maintaining her practice, she returned to academia as a college guidance counselor.

At the age of 92, she still enjoys an active practice — including use of the latest tax software. She works with both of her children, who are also CPAs, in the small Northern California town of Colusa. She claims that she owes her longevity to always having something to do in her many roles as housewife, parent, teacher, and accountant.

As for my original caller, Helen Ashley, although I found that 64 women CPAs preceded her, she ranks as one of the few women CPA pioneers still active today, eager to share her part in our collective history.

It is interesting to note that during those early years, I found only 65 licenses issued to women through license number 3508, or less than 2 percent. Today, I am informed that more than half of our exam applicants are women. Mrs. Crippen and Mrs. Ashley were groundbreakers in our profession, paving the way for others to follow in their footsteps. Many thanks to both of them for sharing their experiences and memories. ❖

## Licensing Fee Change, Effective July 1, 2000

Effective July 1, 2000, initial permit and biennial renewal fees have been restored to \$200. Though it was previously announced in *Update* Issue #44 that the biennial renewal fee would be set at \$140 on July 1, 2000, recent analyses of the Accountancy Fund reserve indicate that this amount is insufficient to maintain mandated reserve levels. The Board's strategy to reduce the Accountancy Fund reserve through temporarily lowering initial permit and biennial renewal fees has been so successful it is now necessary to restore these fees to the level that existed before the reserve reduction plan was implemented.

The reduction plan was initiated in April 1995, and it was in effect for more than four full years. Since the beginning of 1995,

initial permit/biennial renewal fees were lowered first from \$200 to \$175, decreased again in 1996 to \$100, and finally reduced one more time in 1998 to the \$50 level. Since the latest decrease, licensure, renewal and examination fees have been under-generating revenues in relation to Board expenditures. As a result, the Accountancy Fund reserve is now in line with mandated levels, and now it is time to restore the balance between revenues and expenditures.

At its March 2000 Board meeting, the Board was presented with projected five-year Accountancy Fund reserve levels based on a number of hypothetical fee scenarios. After a discussion of resultant reserve outcomes, the Board voted to restore initial permit and biennial renewal fees to \$200 to achieve this balance. ❖



# California Board of Accountancy

## What's New at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba)

As you visit our Web site, you will see a **What's NEW** flashing button. Clicking on this button will take you to a list of all of the new information recently posted to the site.

### License Status Check via the Board's Web Site

The most exciting new development is our License Lookup feature. Now consumers and licensees can check the status of a license. Information available includes: Licensee/Firm Name, Type of License, License Number, Status, Expiration Date, Issue Date, Address of Record, and a "yes" listed under Actions if there were any disciplinary actions within the past seven years. If a license displays a "yes" in the Action column, there is a link to the list of disciplinary actions which displays the information as was published in past issues of *Update*. You are invited to check your own license on our Web site.

When visitors search for and locate a licensee, they will see the same information we routinely make available to the public upon request. As always, visitors are still able to telephone the Board at (916) 263-3680, if they have questions about the status of a license.

### Other Additions

The full text of the current Accountancy Regulations are now online, including a complete Table of Contents that you can navigate by "clicking" on the article number you wish to view. The Accountancy Regulations posted here will be kept current, and you can print them for your reference. Additionally, we have linked to the full text of the Accountancy Act, which is located on the Official California Legislative Information Web site at [www.leginfo.ca.gov](http://www.leginfo.ca.gov). Another page contains an index to selected Relevant Provisions of Other California Codes as an additional resource for licensees.

### Online Savings

The Online Exam Application for the May 2000 examination was available on the Board's Web site from January 1 through March 1. Of the 9,814 examination applications received, 6,926 were submitted online — more than 70 percent of the total applicants. This new technology was well received by applicants, and it saved the Board more than \$33,000 in postage for this exam cycle.

### Please Visit

We encourage you to visit the Board's Web site at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba) and check out **What's NEW**. If you wish to make changes or update your posting on the License Lookup listing, the Change of Address form is available online from our Forms Page, or on the inside back page of this issue of *Update*. Your comments and questions concerning the Board's Web site are always welcome. Please address them to Ms. Holly Hansen, our Web Page Master, at [pagemaster@cba.ca.gov](mailto:pagemaster@cba.ca.gov). ♦

## Forms Available on the Board's Web Site

The table below lists the forms currently available on the Board's Web site. All forms are available in Portable Document Format (PDF), meaning they can be viewed and printed. Viewing a PDF form requires the installation of Adobe Acrobat Reader, free software available through our Web site.

### Of Importance to the **Consumer**

Complaint Regarding Licensee  
Complaint Regarding Board

### Of Importance to the **Licensee**

Change of Address  
Name Change, Replacement Pocket ID, and/or  
Replacement Wall Certificate

### Of Importance to the **CPA Examination Applicant**

Online Exam Application  
Out-of-State Form  
Request for Accommodations  
Change of Site Request  
Applicant Address/Name Change  
Hardcopy Application Request

### Of Importance to the **CPA Licensing Applicant**

Check Sheet  
Application and Instructions  
Criminal Conviction Disclosure  
Certification of Grades  
Waiver of Practice Rights  
Continuing Education Reporting  
Form E - Certificate of Experience  
Fingerprinting Packet Request

## Meeting your PC&E Course Requirement

Since January 1, 1998, Professional Conduct and Ethics (PC&E) continuing education has been required for all active license renewals. This eight-hour course provides information on the provisions of the current Accountancy Act, the Board of Accountancy regulations, and other rules of professional conduct.

The PC&E requirement is being phased in over a six-year period. According to the timetable, one-third of the licensee population will meet the requirement in a specified two-year period, based on the last two digits of the CPA/PA license number.

- Practitioners whose license numbers end in the "01-33" range must have completed the initial PC&E course by their license renewal dates in 1998 or 1999, as applicable.
- Those whose license numbers end in the "34-66" range must meet the PC&E requirement by their license renewal dates in 2000 or 2001, as applicable.
- Licensees whose license numbers end in the "67-00" range must meet the PC&E requirement by their license renewal dates in 2002 or 2003, as applicable.

Please remember that only Board-approved courses satisfy the requirement.

A current list of Board-approved courses is available on the Board's Web site at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba). This list is also available by faxing a request to (916) 263-3672 or by telephoning the Board's staff in the Renewal Unit. The telephone numbers are listed on the back page of this publication. ❖



# Changes to Regulations Governing Continuing Education

New regulations have taken effect, resulting in greater clarification and significant changes to the Continuing Education (CE) requirements. On June 8, 2000, amendments to Sections 87, 87.1, 87.7, 88, and 89 and new Sections 88.1 and 88.2 of the Board of Accountancy Regulations became effective, as summarized below:

The following subjects are no longer acceptable as CE and therefore will not qualify for CE credit:

- Personal growth, self-realization, spirituality, personal health and/or fitness, sports and recreation, foreign languages and cultures, and
- Other subjects that do not contribute directly to the professional competence of the licensee.

A maximum of 25 percent of the renewal period CE credit may be allowed for writing one or a combination of the following:

- Published articles and books (provided the publisher is not under the control of the licensee).
- Instructional materials for any qualifying CE program.
- Questions for the Uniform CPA Examination.

Instructors, discussion leaders, and speakers will not receive CE credit for repeat presentations unless they can demonstrate that the program content substantially changed and required significant additional study and research.

Licensees may combine multiple segment CE programs that are less than a 50-minute class hour, providing the segments are not less than 25 minutes each. Programs exceeding a 50-minute class hour can be credited for additional 25-minute segments.

Licensees who renew their licenses after July 1, 2001, must complete a minimum of 50 percent of the required CE hours in the following subjects:

- Accounting, auditing, taxation, consulting, financial planning, professional conduct, computer and information technology (not word processing), and
- Specialized industry or government practices focusing on maintenance and/or enhancement of public accounting skills and knowledge for competently practicing public accounting.

Licensees who renew their licenses after July 1, 2001, may claim a maximum of 50 percent of the required CE hours in the following subjects:

- Communication skills, word processing, sales, marketing, motivational techniques,
- Negotiation skills, office management, practice management, and personnel management.

For additional information concerning these requirements, you may telephone Ms. Rose Lim of the Board's staff at (916) 263-3973, or e-mail questions to [renewalinfo@cba.ca.gov](mailto:renewalinfo@cba.ca.gov). In addition, you may check the Board's Web site at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba) for other information regarding the Licensure Program. ❖

## Increased Security for the Uniform CPA Examination

Examination security has always been a critical component in administering the Uniform CPA Examination. With the change to a nondisclosed examination and enhancements in technology, new security issues have surfaced which need to be addressed, such as concerns about the sharing of questions and the use of certain technological tools.

During the January, 2000 Board meeting, the Board President and Executive Officer were directed to pursue building a national regulatory coalition with other states. Their goal is effecting positive and timely change in the management of all examination related issues. One of the most critical issues was examination security and the need for consistent nationwide security. One outcome of the coalition's work was the establishment of an Examination Administration Security Task Force chaired by California's Executive Officer, Carol Sigmann. It is structured as a task force of NASBA's Examinations Committee. Its charter is to protect the integrity of the Uniform CPA Examination, develop administrative requirements and procedures no later than May 2001.

To meet this objective, effective as of the May 2000 examination, the California Board of Accountancy initiated the following new security enhancements in support of its commitment to safeguarding the integrity of the Uniform CPA Examination:

- Minimized opportunities for sharing questions from one time-zone to another by not allowing late admission into the examination.
- Minimized opportunities for using various technological devices to record questions by prohibiting personal possessions in the examination room, other than photo identification and exam admittance materials, and providing writing instruments and erasers to candidates.
- Required all candidates to sign a certification of compliance fully describing the consequences of violating the rules of the examination.
- Developed a standardized expulsion policy and employed peace officers at all testing sites to assist when a security violation is identified.

The Board is also actively pursuing a legislative proposal to more adequately define "subversion of the exam" and increase its authority to address violations. This language will be used nationally as a model for similar legislative proposals.

As a result of the Coalition's efforts, it is anticipated that the protection of the integrity of the examination will be enhanced and there will be uniform national security procedures implemented by all jurisdictions no later than May 2001. The Board will publish periodic status reports in *Update* on the progress of this important effort. ❖

Information

Each issue of *Update* contains important information about the public accounting profession, including notices of proposed hearings on regulation changes, Board and committee meetings, proposed new regulatory language, and topical information about enforcement, examination, licensure, and continuing education issues. For ease of reference, we suggest that after you receive and read *Update*, you place these issues in your professional library. For your convenience, all issues of *Update* since 1998 are also posted on our Web site at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba).

# Deadlines for the November 2000 CPA Examination

The next Uniform CPA Examination will be held November 1 and 2, 2000. Applicants can apply for the examination on-line at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba), or by obtaining a paper application by writing, calling, e-mailing, or sending a facsimile request to the Board office at (916) 263-3675.

Applicants are reminded that to sit for the November 2000 examination in California, their completed applications, official transcripts mailed directly from the educational institution, and appropriate fees must be postmarked on or before the final filing date.

Application availability and final filing dates for the November 2000 examination are:

## Application Availability Dates

July 1, 2000

Applicants sitting for the first time in California

August 1, 2000

Applicants who previously sat in California

## Final Filing Dates

August 1, 2000

Applicants sitting for the first time in California

September 1, 2000

Applicants who previously sat in California

## Future 2000 Meetings

### August 23-24, 2000

Wyndham Emerald Plaza  
400 West Broadway  
San Diego, California 92101

Qualifications Committee

### November 2, 2000

Hilton Los Angeles Airport  
5711 West Century Boulevard  
Los Angeles, California 90045

Administrative Committee

### September 21-22, 2000

Radisson Miyako Hotel  
1625 Post Street  
San Francisco, California 94115

### September 21, 2000

Committee on Professional Conduct,  
Sunset Review Committee, and  
Uniform Accountancy Act Task Force

### September 22, 2000

Board

### November 16-17, 2000

Los Angeles

### November 16, 2000

Committee on Professional Conduct,  
Sunset Review Committee, and  
Uniform Accountancy Act Task Force

### November 17, 2000

Board

### October 25-26, 2000

Mission Inn  
3649 Mission Inn Avenue  
Riverside, California 92501

Qualifications Committee

Board, committee, and task force meetings  
are open to the public.

Licensees are encouraged to attend.

For further information,  
please call the Board office at  
(916) 263-3680.

# Appointment Opportunities to Board Committees

**Letters of interest with resumés requested no later than September 5, 2000.**

The Board is seeking licensees of diversified backgrounds who have the technical skills, interest, and time to become members of one of the Board's advisory committees for the year 2001. Serving on a committee is an opportunity to participate actively in the regulation of the accountancy profession and become an integral part of an organization charged with providing consumer protection amidst changing consumer demographics and the evolving nature of the profession. Your involvement benefits both the consumer and the profession.

Committee appointment terms are one year; appointed individuals may serve a maximum of eight terms. Committee members receive a per diem of \$100 for each day spent in the discharge of official duties and are reimbursed under state policies for travel and other expenses incurred in the performance of committee duties. Meetings are held in both Northern and Southern California; most appointments generally require a commitment of between six to 12 days annually.

The Board is currently requesting interested licensees to apply for membership on the Administrative Committee, the Qualifications Committee, and the Report Quality Monitoring Committee.

Each committee's activities and required time commitments are as follows:

## ADMINISTRATIVE COMMITTEE

The Administrative Committee in its advisory capacity assists the Board in its enforcement activities by:

- Performing technical reviews of those enforcement cases that staff believe warrant formal discipline or continuing education.

- Conducting investigative hearings which are critical for obtaining and clarifying the facts and issues in complex cases.
- Serving as a technical advisor to the Executive Officer and Enforcement staff, when requested.

The committee is limited by statute to a membership of 13 licensees. It meets approximately six times annually, for one or two days each meeting. The commitment for members is approximately 10 days annually.

## QUALIFICATIONS COMMITTEE

The Qualifications Committee assists the Board in its licensure activities by reviewing the experience of applicants for licensure and making recommendations to the Board. This responsibility includes initiating and conducting work paper reviews, with the applicant or the employer present, to verify that the responses provided are reflective of the requisite experience for licensure, and the candidate has met the Board's experience requirements.

The Qualifications Committee currently is composed of 21 CPAs who have extensive experience in performing audits and reviews. The committee meets five times annually, generally for one day, with a total commitment of approximately five to eight days annually.

## REPORT QUALITY MONITORING COMMITTEE

The Report Quality Monitoring Committee monitors and promotes professional competence by ensuring licensees' compliance with accepted reporting and accounting standards. The committee reviews random selected financial reports to evaluate the degree to which accounting and reporting standards are met, and recommends appropriate education when financial reports are below an acceptable rating. It also appraises the Board of the results of the practice monitoring.

The Report Quality Monitoring Committee is composed of 25 licensed professionals who:

- Have expertise in reporting standards and generally accepted accounting principles, as validated by a review of one of their reports.

*(Please see Appointment Opportunities, continued on page 13)*

- Represent the special knowledge necessary to review the variety of reports that are submitted for review.
- Represent both large and small firms, to provide a spectrum of experience. Committee members should equitably represent both the northern and southern part of the state.

It is requested, but not required, that licensees possess a minimum of five years in practice and are at least at a manager or supervisor level.

Interested licensees should submit a letter of intent with a resumé or *curriculum vitae*, including the CPA license number, indicating the committee of interest.

Please mail the Letter of Interest and resumé **no later than September 5, 2000**, to:

Carol Sigmann, Executive Officer  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, California 95815-3832

As an alternative, you may submit your Letter of Interest and resumé as attachments via e-mail directly to [tsiepert@cba.ca.gov](mailto:tsiepert@cba.ca.gov). Please do not submit any documents with macros.

All applicants requesting appointment to a Board advisory committee must have been actively licensed to practice public accounting for a minimum of two years prior to the appointment, and there must be no pending enforcement actions against the licensee.

Each committee chair will interview qualified applicants and make recommendations to the Vice President of the Board. If an applicant is recommended for appointment, his or her name will be placed on the agenda for adoption by the Board at the next scheduled meeting. Most committee appointments are made annually at the November meeting. Applicants with questions about committee responsibilities, committee member qualifications, or the appointment process may telephone Ms. Theresa Siepert of the Board's staff at (916) 263-3979 or e-mail her at [tsiepert@cba.ca.gov](mailto:tsiepert@cba.ca.gov). ❖



# RQM Program Results 1998 Annual Report

In accordance with Section 89.1 of the Accountancy Regulations, the Board appoints a Report Quality Monitoring (RQM) Committee.

The purpose of the program and committee is to monitor and promote professional competence by reviewing selected licensees' degree of compliance with current accounting principles and reporting standards, thereby protecting the public interest. Here is a synopsis of the 1998 RQM Results Report.

## Overview

Based on information obtained from renewal forms, licensees are randomly selected for participation. The selection letters are mailed monthly, and licensees are given 30 days to respond. The first criteria for selection is an indication on the renewal application that the licensee has had primary responsibility for and authority to sign financial reports during the previous two-year renewal period. From this group, a sample of 45 licensees per month is selected who have not undergone peer review, have had less than "unqualified" results in a peer review, or have failed to indicate whether participation in peer review has taken place.

To serve as a control group for comparison purposes, 10 percent of this sample, or five licensees per month, are selected from those practitioners who indicate that they have undergone a peer or quality review during the period and achieved unqualified results.

## Review Process

When selected, licensees are asked to submit a report with related financial statements of the highest level of service (i.e., audit, review, or compilation) rendered in the prior two years. The committee's evaluations are based on the degree of compliance with established professional technical accounting principles and reporting standards. Consideration is given to report content and format, financial statement presentation, and the adequacy of financial disclosures.

RQM Committee members evaluate the reports to determine the degree to which

accounting and reporting standards are met. Licensees receive a "Report of Evaluation" identifying and explaining any deficiencies found by the reviewer.

Reports are evaluated according to the following categories:

Satisfactory (Rate 1)	Substantially conforms with all applicable professional standards.
Acceptable (Rate 2)	Generally conforms with all applicable professional standards; contains one or more departures that do not make the financial report misleading or uninformative.
Marginal (Rate 3)	Contains one or more departures from professional standards that may make the financial report misleading or uninformative.
Substandard (Rate 4)	Significantly departs from professional standards.

All reports receiving Marginal or Substandard evaluations are reviewed by other committee members to ensure a consensus is reached regarding the rating. If a licensee receives a Marginal or Substandard evaluation, completion of continuing education courses in appropriate subject matter is recommended or mandated. The licensee is allowed up to six months to complete the education and then must submit another report of the same level of service or higher. Statistics show that the subsequent financial statement reports of licensees who initially do not meet minimum standards improve significantly after completion of prescribed appropriate continuing education.

(Please see RQM Program Results, continued on page 15)

## 1998 Evaluation Results

### January - December 1998

Total licensees selected	608
Waived <sup>1</sup>	51
Referred to Enforcement <sup>2</sup>	<u>1</u>
Total to be reviewed	556
Reviews completed	527
<b>Remain to be reviewed<sup>3</sup></b>	<b>29</b>

<sup>1</sup> Waived: A licensee is waived when he no longer issues reports, or he incorrectly indicates on his renewal that he issues reports.

<sup>2</sup> Enforcement: Cases are referred due to failure to submit a report and repeated substandard reports.

<sup>3</sup> Remain to be reviewed: Reflects files pending subsequent review by the committee as a result of marginal or substandard evaluations issued to licensees. All reports receiving a marginal or substandard evaluation are reviewed by other committee members to ensure a consensus is reached regarding the rating.

Type of Report	%	Totals	Without Peer Review	With Peer Review
Commercial	83%	436	397	39
Government	4%	22	20	2
Nonprofit	<u>13%</u>	<u>69</u>	<u>64</u>	<u>5</u>
<b>Total</b>	<b>100%</b>	<b>527</b>	<b>481</b>	<b>46</b>
<b>Level of Report</b>				
Audits	31%	162	141	21
Review	18%	97	88	9
Compilations with disclosure	13%	69	64	5
Compilations without disclosure	<u>38%</u>	<u>199</u>	<u>188</u>	<u>11</u>
<b>Total</b>	<b>100%</b>	<b>527</b>	<b>481</b>	<b>46</b>

## 1998 Statistical Information Results of Audits

January - December 1998

Without Peer Review			With Peer Review	
Rate	Number Reviewed	%	Number Reviewed	%
1	75	54%	16	76%
2	37	25%	5	24%
3	21	15%	0	0%
4	8	6%	0	0%
<b>Total</b>	<b>141</b>	<b>100%</b>	<b>21</b>	<b>100%</b>
<b>Pass Rates 1 &amp; 2</b>	112	79%	21	100%
<b>Fail Rates 3 &amp; 4</b>	29	21%	0	0%

## Results of Reviews

January - December 1998

Without Peer Review			With Peer Review	
Rate	Number Reviewed	%	Number Reviewed	%
1	32	37%	4	45%
2	26	28%	2	22%
3	19	22%	3	33%
4	11	13%	0	0%
<b>Total</b>	<b>88</b>	<b>100%</b>	<b>9</b>	<b>100%</b>
<b>Pass Rates 1 &amp; 2</b>	58	65%	6	67%
<b>Fail Rates 3 &amp; 4</b>	30	35%	3	33%

(Please see RQM Program Results, continued on page 17)

California Board of Accountancy

## 1998 Statistical Information

## Results of Compilations

January - December 1998

With Disclosure					Without Disclosure				
Without Peer Review			With Peer Review		Without Peer Review			With Peer Review	
Rate	Number Reviewed	%	Number Reviewed	%	Number Reviewed	%	Number Reviewed	%	
1	15	23%	2	40%	80	43%	8	73%	
2	28	44%	2	40%	67	36%	3	27%	
3	15	23%	0	0%	32	16%	0	0%	
4	6	10%	1	20%	9	5%	0	0%	
<b>Total</b>	<b>64</b>	<b>100%</b>	<b>5</b>	<b>100%</b>	<b>188</b>	<b>100%</b>	<b>11</b>	<b>100%</b>	
<b>Pass</b>									
<b>Rates 1 &amp; 2</b>	43	67%	4	80%	147	79%	11	100%	
<b>Fail</b>									
<b>Rates 3 &amp; 4</b>	21	33%	1	20%	41	21%	0	0%	

## Total of All Levels of Service

January - December 1998

Without Peer Review			With Peer Review	
Rate	Number Reviewed	%	Number Reviewed	%
1	203	42%	30	65%
2	157	33%	12	26%
3	87	18%	3	7%
4	34	7%	1	2%
<b>Total</b>	<b>481</b>	<b>100%</b>	<b>46</b>	<b>100%</b>
<b>Pass</b>				
<b>Rates 1 &amp; 2</b>	360	75%	42	91%
<b>Fail</b>				
<b>Rates 3 &amp; 4</b>	121	25%	4	9%

(Please see RQM Program Results, continued on page 18)

## 1998 Statistical Information

Overall Results	1998	1997	1996	1995	1994
Passing	402 (76%)	441 (75%)	368 (79%)	287 (81%)	264 (77%)
Further Participation Required	125 (24%)	142 (25%)	99 (21%)	67 (19%)	77 (23%)
Totals	527 (100%)	583 (100%)	467 (100%)	354 (100%)	341 (100%)

## Observations

1998 program results reflect 76 percent of licensees in the RQM program achieved a Satisfactory or Acceptable (Passing) evaluation, and 24 percent received a Marginal or Substandard evaluation, requiring further participation in the program. The chart above reflects overall results dating back to 1994. The program reached a high passing rate of 81 percent in 1995 and has only decreased slightly since that time.

Findings from the control sample continue to show that licensees undergoing peer review consistently perform well in RQMC review. Ninety-one percent of licensees with unqualified peer reviews also received Satisfactory or Acceptable RQMC ratings. ❖

## What is a Precedential Decision?

Some licensees have asked for an explanation of what is meant by a precedential decision in relation to disciplinary actions the California Board of Accountancy may take against a licensee.

On July 1, 1997, Section 11425.60 was added to the California Administrative Procedure Act. This law authorizes state agencies to formally designate agency decisions or portions of decisions as precedent. The purpose of designating a decision as precedential is to communicate the agency's position or policy on specific issues or circumstances.

Decisions that the Board of Accountancy may designate as precedential include disciplinary decisions proposed by an administrative law judge and adopted by the Board, stipulated decisions, decisions after non-adopt, and declaratory decisions.

Once a decision is designated as precedential, it subsequently may be relied upon in actions in which the issues or circumstances are of a similar nature. This provides the Board the opportunity to refer to the precedent in administrative hearings and during disciplinary settlement discussions.

The authority to designate decisions as precedential not only provides the Board with another means to protect consumers, but also benefits licensees by providing further consistency in disciplinary proceedings. ❖



## Disciplinary Actions and Standard Probationary Terms

When the Board receives a complaint, an investigation is conducted. Information regarding a complaint generally is gathered by staff Investigative CPAs, often accompanied by a licensee's appearance before the Board's Administrative Committee. In some cases, information is gathered by the Department of Consumer Affairs Division of Investigation. Following this investigation, or for other reasons, a recommendation is made either to close the case for lack of evidence, or to refer the matter to the Attorney General for review and possible preparation of an accusation against the licensee or a statement of issues relating to the applicant.

The Board may revoke, suspend, or impose probation on a license for violation of applicable statutes or regulations. In addition to any case-specific terms of probation, the standard probationary terms include:

- Obey all federal, California, other state, and local laws, including those rules relating to the practice of public accountancy in California.
- Submit within 10 days of completion of the quarter, written reports to the Board on a form obtained from the Board. The respondent shall submit, under penalty of perjury, such other written reports, declarations, and verification of actions as are required. These declarations shall contain statements relative to respondent's compliance with all the terms and conditions of probation. Respondent shall immediately execute all release of information forms as may be required by the Board or its representatives.
- During the period of probation, appear in person at interviews or meetings as directed by the Board or its designated representative, provided such notification is accomplished in a timely manner.
- Comply with the terms and conditions of the probation imposed by the Board and cooperate fully with representatives of the Board in its monitoring and investigation of the respondent's compliance with probation terms and conditions.
- Be subject to, and permit a "practice investigation" of, the respondent's professional practice. Such a "practice investigation" shall be conducted by representatives of the Board, provided notification of such review is accomplished in a timely manner.
- Comply with all final orders resulting from citations issued by the California Board of Accountancy.
- In the event respondent should leave California to reside or practice outside this state, respondent must notify the Board in writing of the dates of departure and return. Periods of non-California residency or practice outside the state shall not apply to reduction of the probationary period, or of any suspension. No obligation imposed herein, including requirements to file written reports, reimburse the Board costs, or make restitution to consumers, shall be suspended or otherwise affected by such periods of out-of-state residency or practice, except at the written direction of the Board.
- If respondent violates probation in any respect, the Board, after giving respondent notice and an opportunity to be heard, may revoke probation and carry out the disciplinary order that was stayed. If an accusation or a petition to revoke probation is filed against respondent during probation, the Board shall have continuing jurisdiction until the matter is final, and the period of probation shall be extended until the matter is final.
- Upon successful completion of probation, respondent's license will be fully restored.

If charges are filed against a licensee, a hearing may be held before an independent administrative law judge who submits a proposed decision to be considered by the Board of Accountancy, or the matter may be settled. The Board may either accept the proposed decision or decide the matter itself. Please note that Board actions reported here may not be final. After the effective date of the Board's decision, the licensee may obtain judicial review of its decision. On occasion, a court will order a stay of the Board's decision or return the decision to the Board for reconsideration.

Copies of the accusations, decisions, and settlements regarding any of these disciplinary actions are available by sending a written request to: California Board of Accountancy, Attention: Disciplinary Actions, 2000 Evergreen Street, Suite 250, Sacramento, CA 95815-3832. Please state the licensee's name and license number, and allow approximately three weeks for each request.

## Disciplinary Board Actions 11/7/99 through 5/4/00

### *Revocation of CPA Certificate*

Name	Cause for Discipline	Code Violation(s) Charged
<p><b>BANUELOS, DANIEL</b> Fresno, CA (CPA 35720)</p> <p>Revocation of CPA Certification, via proposed decision. <b>Effective December 30, 1999</b></p> <p>Respondent is required to reimburse the Board \$5,508 for investigation and prosecution costs.</p>	<p>Respondent was convicted by a plea of guilty of embezzlement and theft from an Indian tribal organization. Respondent admitted through a plea agreement that from February 18, 1992, through March 25, 1994, he and a co-defendant embezzled funds from the Oglala Lakota College, totaling at least \$768,360. Respondent admitted to personally receiving \$114,470 of these funds.</p> <p>Respondent was engaged as the accountant and independent auditor for Oglala Lakota College for the years 1991 through 1993, and he utilized his knowledge of the client to create two fictitious vendors and effected the embezzlement payments through these vendors.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 490, 5100 (a), (h), (i), and (j).</p>
<p><b>BUCHALTER, ELI AND ELI BUCHALTER, AN ACCOUNTANCY CORPORATION</b> Los Angeles, CA (CPA 20746) (COR 1905)</p> <p>Revocation of CPA Certificates, via proposed decision. <b>Effective February 27, 2000</b></p>	<p>Respondents were engaged to perform audits of the financial statements of Comparator Systems Corporation (CSC) for several years. Respondents issued an auditor's report that stated that CSC's balance sheet was presented fairly, in all material respects, and was in conformity with generally accepted accounting principles (GAAP), and the audit was conducted in accordance with generally accepted auditing standards (GAAS) when, in fact, there were material departures from GAAP and GAAS.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 5062, 5156, 5100 (c), (f), and (g).</p>
<p><b>BURNETT, JOHN RUSSELL JR.</b> Sacramento, CA (CPA 57908)</p> <p>Revocation of CPA Certificate, via default decision. <b>Effective December 30, 1999</b></p>	<p>Respondent failed to perform agreed upon services and return records upon request for eight clients. Respondent additionally practiced public accountancy using a fictitious name that had not been approved by the California Board of Accountancy.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 5037, 5060, 5100 (c) and (h), California Code of Regulations, Title 16, Division 1, §§ 67 and 68.</p>
<p><b>DEGREGORIO, PAUL J.</b> San Carlos, CA (CPA 42517)</p> <p>Revocation of CPA Certificate, via proposed decision. <b>Effective February 27, 2000</b></p> <p>Respondent is required to reimburse the Board \$9,516.59 for investigation and prosecution costs.</p>	<p>Respondent was issued a citation for engaging in the practice of public accountancy without a valid license. Respondent was ordered to pay a fine and ordered to discontinue the practice of public accountancy until such time that his CPA license was brought to a current status. After the citation was affirmed, Respondent again was found to be continuing to engage in the practice of public accountancy without a valid license.</p> <p>In subsequent attempts to reach a proposed stipulated settlement to this new violation, Respondent acted in an unprofessional and fraudulent manner by inserting changes to the stipulation document without notifying the Board's representatives.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 5050, 5100, 5100 (c), (e), (f), 5120, California Code of Regulations, Title 16, Division 1, § 95.4.</p>

(Please see Disciplinary Actions, continued on page 21)

## Disciplinary Board Actions 11/7/99 through 5/4/00

### Revocation of CPA Certificate

Name	Cause for Discipline	Code Violation(s) Charged
<b>HARNETT, THOMAS RUSSELL</b> Napa, CA (CPA 18166)  Revocation via decision after nonadoption. <b>Effective November 7, 1999</b>  Respondent is required to reimburse the Board \$7,583.21 for its investigation and prosecution costs.	Mr. Harnett has been convicted, on a <i>nolo contendere</i> plea, of a felony violation of Section 25541 of the California Corporations Code (securities fraud).  In addition, the Department of Real Estate revoked Mr. Harnett's real estate broker's license effective May 11, 1992, in an administrative action that Mr. Harnett did not contest. The revocation was based on 1988 and 1989 violations, including a trust account fund shortage; commingling of nontrust monies in the trust account; conversion of trust funds to uses and benefits not authorized by the owners of the funds; and "rolling over" loan payoff funds into new loans without the investor's prior written consent.	Business and Professions Code, Division 3, Chapter 1, § 5100 (a) and (g).
<b>NADLMAN, ARNOLD H.</b> Corona Del Mar, CA (CPA 8676)  Revocation of CPA Certificate, via default decision. <b>Effective December 18, 1999</b>	Respondent was convicted by a plea of no contest in the Los Angeles Superior Court of violating Penal Code § 487.1, felony grand theft. Respondent, while acting as financial advisor for a client, misappropriated \$160,000 of the victim's money.  The judgment of conviction was subsequently affirmed by the Second Appellate District Court of Appeal and became final on August 26, 1999. Respondent further failed to report his conviction within 30 days to the California Board of Accountancy.	Business and Professions Code, Division 3, Chapter 1, §§ 490, 5063, 5100 (a), (f), (h), (j).
<b>SCADUTO, MARIO T.</b> Manhattan Beach, CA (CPA 34175)  Revocation of CPA Certificate, via proposed decision. <b>Effective December 30, 1999</b>  Respondent is required to reimburse the Board \$6,663 for investigation and prosecution costs.	Respondent was convicted by a plea of guilty to two counts of violating Title 26, United States Code § 7201, income tax evasion by filing false tax returns for the years 1991 and 1992. Respondent's convictions resulted from intentional and willful violations of the law, and the underlying acts were substantially related to the qualifications, functions, and duties of a certified public accountant.	Business and Professions Code, Division 3, Chapter 1, § 5100 (a).
<b>SCHMIDT, KATHLEEN M. AND SCHMIDT ACCOUNTANCY CORPORATION</b> San Diego, CA (CPA 38260) (COR 2449)  Revocation of CPA Certificate, via default decision. <b>Effective May 4, 2000</b>	Respondent and her accountancy corporation were engaged to perform accounting and tax services for a client and to finalize the dissolution of the client's corporation. Respondent did not complete the dissolution. She also failed to notify the Board of at least two address changes affecting her and her accountancy corporation.  In addition, the Board issued citations for engaging in the practice of public accountancy with an expired CPA license. Respondent and her accountancy corporation failed to comply with the citation orders.	Business and Professions Code, Division 3, Chapter 1, §§ 5050, 5100 (c), (h), and 5154, California Code of Regulations, Title 16, Division 1, §§ 3, 52, 66.1, and 95.4.

(Please see Disciplinary Actions, continued on page 22)

## Disciplinary Board Actions 11/7/99 through 5/4/00

### Revocation of CPA Certificate

Name	Cause for Discipline	Code Violation(s) Charged
<b>WILSON, ED B.</b> Garden Grove, CA (CPA 11359)  Revocation of CPA Certificate, via default decision. <b>Effective December 30, 1999</b>	<p>Respondent was engaged to perform an audit of Service Escrow Company, for the fiscal year ended September 30, 1996, and compilations for the periods ended September 30, 1996, and March 31, 1997. The audit exhibited material departures from applicable professional standards. In addition, the compilations issued by Respondent contained numerous departures from professional standards.</p> <p>Furthermore, Respondent engaged in the practice of public accountancy with an expired license and practiced using a fictitious name that had not been approved by the Board.</p>	Business and Professions Code, Division 3, Chapter 1, §§ 5050, 5055, 5062, 5100 (c), (f), and (i), California Code of Regulations, Title 16, Division 1, §§ 58 and 67.

## Disciplinary Definitions

### Accusation

A formal document that notifies a licensee of the agency's charges against the licensee.

### Cost Recovery

The licensee is ordered to pay the Board certain costs of investigation and prosecution including, but not limited to, attorney fees.

### Default Decision

The licensee failed to file a Notice of Defense or has otherwise failed to request a hearing, object, or otherwise contest the accusation. The Board takes action without a hearing based on the accusation and documentary evidence on file.

### Effective Date

The date the disciplinary decision becomes operative.

### Probation

The licensee may continue to engage in activities for which licensure is required, under specific terms and conditions.

### Revocation

The individual, partnership, or corporation is no longer licensed as a result of a disciplinary action.

### Stayed

The action does not immediately take place and may not take place if the licensee complies with other conditions (such as a probation term).

### Stipulation

The matter is negotiated and settled without going to hearing.

### Suspension

The licensee is prohibited for a specific period of time from engaging in activities for which licensure is required.

### Voluntary Surrender

The licensee has voluntarily surrendered the license. The individual, partnership, or corporation is no longer licensed. Surrender may also require certain conditions be met should the former licensee ever choose to reapply for licensure.

(Please see Disciplinary Actions, continued on page 23)

## Other Board Actions 10/24/99 Through 5/31/00

Name	Cause for Discipline	Code Violation(s) Charged
<p><b>AVEDON, DEAN A.</b> Los Angeles, CA (CPA 57177)</p> <p>Revocation stayed with three years' probation, via stipulated settlement. <b>Effective May 6, 2000</b></p> <p>Probation terms include:</p> <p>Forty hours of continuing education courses, in addition to the minimum 80-hour requirement for licensure.</p> <p>Respondent is required to reimburse the Board \$7,300 for investigation and prosecution costs.</p> <p>Completion of a Board-approved ethics examination.</p> <p>Completion of 100 hours of community service.</p>	<p>Respondent prepared corporate income tax returns for the fiscal years ended September 30, 1994, and 1995, which reported contributions as having been made to an affiliated pension plan in the amounts of \$13,375 and \$16,500, for the respective fiscal years. Neither contribution was made.</p> <p>In a civil suit initiated against Respondent by the owner of corporate client, Respondent admitted that he was aware that, in order to be deductible, contributions to a pension plan must be made within eight and one half months after the close of a plan year. He further admitted that he was aware that neither contribution was made.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 5062, 5100 (c), (f), and (i), California Code of Regulations, Title 16, Division 1, § 58.</p>
<p><b>CROSBY, MELVIN ESMOND/ MELVIN CROSBY AND ASSOCIATES</b> Cathedral City, CA (CPA 19473) (COR 3266)</p> <p>Revocation stayed with the period of probation increased to four years, via proposed decision. <b>Effective February 18, 2000</b></p> <p>Respondent shall complete and provide proper documentation of 40 hours of continuing professional education, within 90 days of the effective date of this decision. The 40 hours shall be in addition to the minimum of 80 hours of continuing professional education requirements for license renewal.</p>	<p>While on probation, Respondent violated the terms of his probation in that he failed to submit quarterly reports, submit quarterly cost reimbursement payments, and complete 40 hours of additional continuing professional education.</p>	<p>Violation of terms of probation.</p>



## Other Board Actions 10/24/99 Through 5/31/00

Name	Cause for Discipline	Code Violation(s) Charged
<p><b>GADDIS, ROBERT S.</b> Los Gatos, CA (CPA 13454)</p> <p>Revocation stayed with three years' probation, via stipulated settlement. <b>Effective March 4, 2000</b></p> <p>Respondent is required to reimburse the Board \$1,500 for investigation and prosecution costs.</p>	<p>In January 1997, the Department of Real Estate issued a decision revoking Mr. Gaddis' real estate broker's license. The basis for the decision, which Gaddis did not contest, was that on two separate occasions he held trust funds in nontrust accounts in violation of applicable governing statutes. The underlying acts were substantially related to the qualifications, functions, and duties of a certified public accountant.</p>	<p>Business and Professions Code, Division 3, Chapter 1, § 5100 (g).</p>
<p><b>HALCROW, DAVID SCOTT</b> Studio City, CA (CPA 21380)</p> <p>Suspension of CPA Certificate for 60 days, via proposed decision. <b>Effective May 4, 2000</b></p> <p>Respondent is required to reimburse the Board \$4,678.67 for investigation and prosecution costs.</p>	<p>In December 1996, in Municipal Court of the Los Angeles Judicial District, County of Los Angeles, Respondent filed a notice of motion and supporting documents, which he had prepared on behalf of one of his accountancy clients who was a defendant in the case. In the documents, Respondent fraudulently represented that he was an attorney.</p>	<p>Business and Professions Code, Division 3, Chapter 1, § 5100 (c).</p>
<p><b>HAZARD III, VICTOR J.</b> Lomita, CA (CPA 17142)</p> <p>Revocation stayed with one year's probation, via decision after nonadoption. <b>Effective May 31, 2000</b></p> <p>Probation terms include taking and passing ethics exam with a score of 90 percent or better and other standard terms of probation.</p> <p>Writ of mandate filed. Writ denied by Superior Court. Licensee filed petition for review with Supreme Court, review denied April 12, 2000.</p>	<p>During the year 1995, Respondent prepared 1994 tax returns for two accountancy clients. While acting as their accountant, Respondent provided investment services. As a result of his investment services provided to his clients, the Respondent received commissions amounting to \$8,057 for his referral of investment products to his accountancy clients.</p> <p>In addition, Respondent failed to provide evidence for 10 hours of CPE for the April 1, 1993, through March 31, 1995, renewal period.</p>	<p>Business and Professions Code, Division 3, Chapter 1, § 5061 and 5100 (f).</p>

## Other Board Actions 10/24/99 Through 5/31/00

Name	Cause for Discipline	Code Violation(s) Charged
<p><b>KIHARA, NAOTO</b> Northridge, GA (Exam Applicant)</p> <p>Via stipulated settlement, Applicant/ Respondent will be barred from either applying to sit for the California CPA exam or receiving credit for passing any portion of the exam taken before April 30, 2001. <b>Effective May 5, 2000</b></p>	<p>Respondent admits that he copied his neighbors' answers during each of the four sections of the May 1996 CPA exam.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 123 (b), 480 (a), 5100, 5100 (b) and (f).</p>
<p><b>MCMULLEN, DAVID C.</b> San Jose, CA (CPA 27844)</p> <p>Revocation stayed with three years' probation, via stipulated settlement. <b>Effective March 4, 2000</b></p> <p>Probation terms require a mutually agreed-upon CPA to supervise all audit engagements and will provide periodic reports to Board staff. Respondent shall take specific continuing education courses in the areas of current audit and financial statement standards. Respondent is required to reimburse the Board \$5,427.70 for investigation and prosecution costs.</p>	<p>Respondent admits that he performed an audit of the Western Employer's Retirement Plan in a grossly negligent manner for the year ending December 31, 1995. The auditor's report did not conform to applicable reporting standards and the audit procedures were not of sufficient scope to render an opinion on the fair presentation of the financial statements.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 5062, 5100 (c), California Code of Regulations, Title 16, Division 1, § 58.</p>
<p><b>OMEAD, CYRUS</b> North Hollywood, CA (CPA 46776)</p> <p>Revocation stayed with three additional years' probation beyond the termination of the probationary period presently in effect, via proposed decision. <b>Effective October 24, 1999</b></p> <p>Probation terms include the following: 30-day suspension. Successful completion of the auditing section of the CPA examination before the end of Respondent's initial period of probation. Submission of all work papers and draft reports relative to any audit engagement to an outside CPA for review for a period of six months after completing the auditing portion of the CPA examination.</p> <p>Completion of 40 hours of CPE as specified by the Board or its designee as part of regular 80-hour CPE requirements. Reimbursement of the Board's initial investigative and prosecution costs. Other standard terms and conditions.</p>	<p>While on probation, Respondent violated the terms of his probation by failing to file timely quarterly reports and make monthly cost reimbursement payments.</p>	<p>Violation of terms of probation.</p>

(Please see Disciplinary Actions, continued on page 26)

## Other Board Actions 10/24/99 Through 5/31/00

Name	Cause for Discipline	Code Violation(s) Charged
<p><b>RUB, LAWRENCE PRESTON</b> Glenwood, MD (CPA 38249)</p> <p>Revocation stayed with five years' probation, via stipulated settlement. <b>Effective March 4, 2000</b></p> <p>Probation terms include the following:</p> <ul style="list-style-type: none"> <li>• 30 days' suspension.</li> <li>• Respondent is required to reimburse the Board \$18,000 for investigation and prosecution costs.</li> <li>• Completion of 40 hours of continuing education courses, in addition to the 80 hours required for license renewal.</li> <li>• Review of all audits and reviews by another California CPA.</li> </ul>	<p>Respondent admits he exhibited gross negligence in the public accounting practice in connection with audits he performed for Ancona Group, Ltd. ("Ancona"), and its subsidiaries, for the years ended December 31, 1991, and December 31, 1992. The audited financial statements were filed with the National Association of Securities Dealers to demonstrate compliance with Securities and Exchange Commission Rule so that Ancona's common stock could be traded on the over-the-counter market.</p> <p>The 1991 audited financial statements were not consolidated, and the audited financial statements for 1991 and 1992 omitted disclosures required by generally accepted accounting principles.</p> <p>In addition, the work papers underlying both audits failed to document internal control weaknesses, consideration of audit risk and materiality, substantive testing, analytical procedures performed, and evaluation of subsequent events.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 5062, 5100 (c), California Code of Regulations, Title 16, Division 1, Article 9, § 58.</p>
<p><b>WONG (WENNER), MARIA M.</b> San Francisco, CA (CPA 42951)</p> <p>Revocation stayed with three years' probation, via stipulated settlement. <b>Effective May 4, 2000</b></p> <p>Probation terms include one year's suspension.</p> <p>Respondent is required to reimburse the Board \$5,280 for investigation and prosecution costs.</p>	<p>Respondent neither affirms nor denies, but does not contest, the allegations of the accusation. The accusation in this matter contains allegations that Respondent agreed, through a settlement, to discipline imposed by the Securities and Exchange Commission (SEC). Through Respondent's settlement with the SEC, she was permanently barred from practice before the SEC, and made to pay a civil fine totaling \$50,000.</p> <p>Factual allegations in the accusation state that from at least June 1993 through September 1994, Maria Wong (Wenner), (Chief Financial Officer of Carme, Inc.), and other officers of Carme and its publicly-traded parent corporation, IRDC, engaged in a scheme to defraud lenders and investors by booking millions of dollars in fictitious sales to various customers. As a result, Carme and IRDC's sales, accounts receivable, and earnings were materially overstated during the period.</p> <p>In addition, Ms. Wong (Wenner) subverted the independent auditor's accounts receivable confirmation process and made knowingly material false statements on a management representations letter provided to the independent auditor.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 5100 (g), (h), and (i).</p>

# ADDRESS CHANGE FORM

A separate change of address form must be submitted for each license type.

Please Print

## Name of Licensee

Individual (CPA/PA) - Lic. No. \_\_\_\_\_

_____	_____	_____
Last	First	Middle

## Name of Firm

☐ Corporation ☐ Partnership ☐ Fictitious Name License No. \_\_\_\_\_

_____
Firm Name

## Address of Record

*Be advised that your address of record is public information, and all Board correspondence will be sent to this address.*

☐ Home ☐ Business (check one)

_____
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Business Name (if different from name above)

_____	_____
Street	<input type="radio"/> Apt. # <input type="radio"/> Suite # (check one)

_____	_____	_____
City	State	Zip

## Other Address

*Provide a street address if your address of record is a mail drop or a Post Office Box. This address will not be posted on the Web License Lookup.*

☐ Home ☐ Business (check one)

_____	_____
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Street ☐ Apt. # ☐ Suite # (check one)

_____	_____	_____
City	State	Zip

## Daytime Phone Number

_____	_____
Area Code	

## Date of Birth

_____	_____	_____
Mo.	Day	Year

I certify the truth and accuracy of all of these statements and representations.

**Signature of Licensee,  
Licensed Partner, or  
Licensed Shareholder** \_\_\_\_\_

Date \_\_\_\_\_

Print your name \_\_\_\_\_

A licensee who fails to notify the California Board of Accountancy within 30 days of a change in his/her address of record may be subject to citation and fine (fines ranging from \$100-\$1000) under the California Code of Regulations, Title 16, Division 1, Sections 3 and 95.2.

The Board maintains a list of all licensees. This list is sold to requestors for mailing list purposes. Check here only if you do not want your name included on this list. ☐  
*Please Note: Your name and address of record is public information and can be accessed through our Web site at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba).*

**Mail to:** California Board of Accountancy, 2000 Evergreen Street, Suite 250, Sacramento, CA 95815-3832

**FAX to:** (916) 263-3675

## Board of Accountancy Directory

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Also available on Board Web site.	
General Examination Questions .....	(916) 263-3953 or 263-3958
	Facsimile (916) 614-3253 <i>examinfo@cba.ca.gov</i>
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	Facsimile (916) 263-3673 <i>enforcementinfo@cba.ca.gov</i>
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Last name begins with:	
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L-Q .....	(916) 263-3934
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	Facsimile (916) 263-3672 <i>renewalinfo@cba.ca.gov</i>
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Department of Consumer Affairs  
**California Board of Accountancy**  
**UPDATE Issue #45**  
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[www.dca.ca.gov/cba](http://www.dca.ca.gov/cba)

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